

Message Text

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FOR CARTER FROM PA

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SUBJECT: PRESS MATERIAL

1. HERewith FULL TEXT MICHAEL PARKS BY-LINER THURSDAY
25 AUG BALTIMORE SUN HEADED "OPEC NATIONS GROWING MORE
CONCERNED AS VALUE OF U.S. DOLLAR CONTINUES TO SLIDE."
2. CAIRO--ALTHOUGH MOST MEMBERS OF THE INTERNATIONAL OIL
EXPORTERS CARTEL HAVE SUPPORTED THE U.S. DOLLAR IN ITS
DECLINE OVER THE PAST SIX WEEKS, THEY NOW ARE GROWING MORE
CONCERNED OVER THE CONTINUED UNCERTAINTY AND THE IMPACT ON
THEIR REVENUES AND INVESTMENTS.
3. SEVERAL MEMBERS OF THE ORGANIZATION OF PETROLEUM EX-
PORTING COUNTRIES ARE PRESSING FOR A CHANGE IN THE WAY THAT
OIL PRICES ARE CALCULATED WHILE OTHERS WANT A SPECIAL OPEC

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MEETING FIRST TO REVIEW THE SITUATION.

4. A CONTINUED DECLINE IN THE VALUE OF THE DOLLAR, KNOW-
LEDGEABLE ARAB DIPLOMATS AND BANKERS SAY, PROBABLY WOULD
CONTRIBUTE SIGNIFICANTLY TO AN INCREASE IN INTERNATIONAL
OIL PRICES IN JANUARY.

5. "IF THE DOLLAR CONTINUES TO SLIDE OR JUST FAILS TO HOLD FIRMLY, OPEC MEMBERS WILL HAVE TO FIND ANOTHER WAY TO CALCULATE OIL PRICES, PERHAPS ON THE BASIS OF THE INTERNATIONAL MONETARY FUND'S SPECIAL DRAWING RIGHTS, OR RAISE PRICES TO COMPENSATE," AN AMBASSADOR FROM A LEADING OIL EXPORTING COUNTRY SAID. "MOST PROBABLY, THEY WOULD DO BOTH."

6. OPEC MEMBERS WITH LARGE SURPLUSES--SAUDI ARABIA, KUWAIT AND THE UNITED ARAB EMIRATES--HAVE BEGUN TO REVIEW THEIR SIZABLE FOREIGN INVESTMENTS TO ASSESS THE DAMAGE FROM THE DOLLAR'S DEPRECIATION, ACCORDING TO BANKING SOURCES.

7. "VERY LITTLE OFFICIAL MONEY HAS MOVED, BUT PRIVATE FUNDS ARE BEGINNING TO FLOW INTO RELATIVELY STRONGER CURRENCIES," ONE EUROPEAN BANKER SAID. "ARAB INVESTORS NO LONGER ARE CONVINCED THAT THIS IS JUST TEMPORARY, AND THEY ARE BEGINNING TO MOVE PROTECTIVELY."

8. SAUDI ARABIA AND KUWAIT, MEANWHILE, HAVE COME UNDER RE-NEWED PRESSURE TO REVALUE THEIR CURRENCIES AND TO PERMIT THEM TO BE USED IN INTERNATIONAL RESERVES, BUT BOTH ARE RESISTING SO FAR.

9. PRELIMINARY CONTACTS NOW ARE UNDER WAY, ACCORDING TO ARAB DIPLOMATS HERE, ON CALLING A SPECIAL OPEC MINISTERIAL UNCLASSIFIED

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MEETING NEXT MONTH TO DISCUSS A SWITCH FROM DOLLARS TO SPECIAL DRAWING RIGHTS OR ANOTHER, MORE STABLE MEANS OF CALCULATING OIL PRICES.

10. "IF THE DOLLAR SETTLES BY THE END OF AUGUST, THE MATTER WILL BE PUT OFF UNTIL THE REGULAR DECEMBER MEETING," A SENIOR OFFICIAL OF ONE OPEC COUNTRY SAID. "IF NOT, THEN A SEPTEMBER MEETING IS CERTAIN."

11. OPEC MINISTERS DECIDED TWO YEARS AGO TO SWITCH FROM THE DOLLAR TO SPECIAL DRAWING RIGHTS. AT THAT TIME, HOWEVER, THE SWITCH WOULD HAVE MEANT AN INCREASE IN WORLD OIL PRICES AVERAGING 3 PER CENT, ACCORDING TO OPEC CALCULATIONS.

12. MANA SAEED AL OTEIBA, THE ARAB EMIRATES' OIL MINISTER, BELIEVES THE SPECIAL DRAWING RIGHTS FORMULA MAY PROVE TOO CUMBERSOME AND PROPOSED RECENTLY THE CREATION OF AN "OPEC DOLLAR," ANOTHER ARTIFICIAL CURRENCY UNIT, TO REPLACE THE U.S. DOLLAR, IF NECESSARY.

13. BUT MR. OTEIBA, LIKE SHEIK AHMED ZAKI YAMANI, THE

SAUDI OIL MINISTER, SAID RECENTLY HE BELIEVES THE "CURRENT DOLLAR DIFFICULTIES WILL PROVE TO BE MERELY TRANSITIONAL." SHEIK YAMANI COMMENTED, "CURRENCY MARKETS ARE IN A TRANSITIONAL PHASE, BUT WE ARE ALSO LOOKING TO THE LONG-TERM IMPLICATIONS OF THE CURRENT SITUATION."

14. A NEW SAUDI STUDY, NOTING THAT THE OIL EXPORTER'S NET BALANCE-OF-PAYMENTS SURPLUS WILL CONTINUE TO SIPHON \$40 BILLION OR MORE ANNUALLY FROM CONSUMING NATIONS, PREDICTS FUNDAMENTAL CHANGES IN THE RELATIVE VALUES OF MAJOR INTERNATIONAL CURRENCIES OVER THE NEXT FIVE YEARS, ACCORDING TO SAUDI SOURCES.

15. "THE SAUDIS ARE RELUCTANT TO CHANGE THE SYSTEM AS IT
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WOULD ADD TO THE INSTABILITY," A EUROPEAN BANKER WITH CLOSE SAUDI TIES SAID. "BUT A FACTION THERE--A VERY NATIONALIST GROUP--IS WINNING SUPPORT IN ARGUING THAT NOW IS THE TIME TO CUT AWAY FROM THE DOLLAR AS MUCH AS POSSIBLE. SAUDI INTERESTS MUST COME FIRST, THEY SAY, AND THERE IS MUCH DISTRUST OF THE DOLLAR."

16. NOT ALL OF THAT SUSPICION IS ECONOMIC; MUCH IS POLITICALLY BASED.

17. SOME SAUDIS ARE COMING TO SHARE THE GENERAL ARAB SUSPICION THAT THE UNITED STATES IS DELIBERATELY ALLOWING THE DOLLAR TO DECLINE, HOPING TO REDUCE THE WORLD'S OIL BILL IN REAL TERMS AS WELL AS BETTER ITS INTERNATIONAL TRADING POSITION.

18. WHATEVER COMBINATION OF MARKET PRESSURES AND AMERICAN POLICY HAVE ALLOWED THE DOLLAR TO SLIDE AND DRIFT, OPEC "LACKS A STRATEGY TO FACE THE DOLLAR'S FALL AND PROTECT THE PURCHASING POWER OF DOLLARS EARNED FROM OIL SHIPMENTS," SAID VALENTIN HERNANDEZ-ACOSTA, VENEZUELA'S OIL MINISTER.

19. IF THERE IS ANY FURTHER DECLINE, MR. HERNANDEZ SAID, OPEC MINISTERS SHOULD MEET TO DEVISE "A DEFENSIVE REACTION" AND NOT LET THE MATTER GO UNTIL THEIR DECEMBER MEETING IN CARACAS, VENEZUELA, WHERE OVERALL OIL PRICES WILL BE REVIEWED. CHRISTOPHER

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